

Message Text

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ACTION IO-10

INFO OCT-01 EUR-12 ISO-00 IOE-00 SSO-00 NSCE-00 USIE-00

INRE-00 AF-06 ARA-10 EA-09 NEA-10 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 PRS-01 SP-02

FEAE-00 OMB-01 /136 W
----- 078541

O R 121330Z SEP 75

FM USMISSION USUN NY

TO SECSTATE WASHDC IMMEDIATE 1973

INFO USMISSION GENEVA

USDEL MTN GENEVA UNN

USMISSION OECD PARIS

USMISSION USEC BRUSSELS

UNCLAS USUN 4207

PASS TREASURY FOR BUSHNELL AND WIDMAN

E.O. 11652: N/A

TAGS: UNGA, EGEN

SUBJ: UNGA 7TH SPECIAL SESSION - TRANSFER OF RESOURCES

1. APPRECIATE WASHINGTON GUIDANCE ASAP ON APPROPRIATENESS OF THE FOLLOWING PARAGRAPHS TABLED WITH REVISIONS BY THE G-77 AS OF MIDNIGHT 11 SEPTEMBER AT THE TRANSFER OF RESOURCES GROUP. TO EXTENT POSSIBLE PLEASE CABLE IMMEDIATE SUGGESTED CHANGES IN THE CONTEXT OF THE PARAGRAPHS PROVIDED FOR MEETING 11 A.M. FRIDAY. THESE PARAGRAPHS REPRESENT THOSE AREAS WHERE WE HAVE EXPERIENCED GREATEST DIFFICULTY IN CONVINCING G-77 TO MODIFY THEIR POSITION ON THE ISSUES.

A) TERMS AND CONDITIONS OF AID - CONCESSIONAL FINANCIAL RESOURCES TO DEVELOPING COUNTRIES NEED TO BE INCREASED

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SUBSTANTIALLY, THEIR TERMS AND CONDITIONS AMELIORATED AND

THEIR FLOW MADE PREDICTABLE, ASSURED AND CONTINUOUS

B) AID TARGETS - DEVELOPED COUNTRIES CONFIRM THE UNDERTAKINGS WHICH THEY HAVE ALREADY GIVEN IN RESPECT OF THE TARGETS RELATING TO THE TRANSFER OF RESOURCES, IN PARTICULAR THE ODA TARGET OF 0.7 PER CENT OF GNP MENTIONED OR REACHED IN THE INTERNATIONAL STRATEGY FOR THE SECOND DEVELOPMENT DECADE, AND ADOPT AS THEIR COMMON AIM AN EFFECTIVE INCREASE IN OFFICIAL DEVELOPMENT ASSISTANCE WITH A VIEW TOWARD ACHIEVING THIS TARGET BY THE END OF THE DECADE.

C) AID-SDR LINK - THE IMF SHOULD BE PERMITTED TO INTRODUCE A LINK BETWEEN THE SDRS AND THE DEVELOPMENT ASSISTANCE AS AND WHEN SDR'S ARE CREATED ACCORDING TO THE NEEDS OF INTERNATIONAL LIQUIDITY. AGREEMENT SHOULD BE REACHED AT AN EARLY DATE ON THE ESTABLISHMENT OF A TRUST FUND, TO BE FINANCED POSSIBLY THROUGH THE IMF GOLD SALES AND PARTLY THROUGH CONTRIBUTIONS AND BE GOVERNED BY AN APPROPRIATE BODY FOR THE BENEFIT OF DEVELOPING COUNTRIES. CONSIDERATION OF OTHER MEASURES OF AUTOMATIC TRANSFER, SUCH AS ROYALTIES FROM OCEAN-BED MINING SHOULD BE EXPEDITED IN APPROPRIATE BODIES.

D) DEBT - THE BURDEN OF DEBT ON MOST DEVELOPING COUNTRIES IS INCREASING TO A POINT WHERE THE IMPORT CAPACITY AS WELL AS RESERVES HAVE COME UNDER SERIOUS STRAIN. UNCTAD IV SHALL CONSIDER THE NEED FOR AND POSSIBILITY OF CONVENING, AS SOON AS POSSIBLE, A CONFERENCE OF MAJOR DONOR, DEBTOR, AND CREDITOR COUNTRIES TO DEVISE WAYS AND MEANS TO MITIGATE THIS BURDEN, TAKING INTO ACCOUNT THE DEVELOPMENT NEEDS OF DEVELOPING COUNTRIES, WITH SPECIAL ATTENTION TO THE PLIGHT OF THE MOST SERIOUS AFFECTED COUNTRIES AS DEFINED IN GENERAL ASSEMBLY RESOLUTIONS 3201 (S-VI) AND (S-VI).

E) ASSISTANCE TO MSAS - IN PROVIDING FLOWS OF ADDITIONAL RESOURCES FOR ASSISTING MSAS TO HELP THEM MEET SERIOUS BALANCE OF PAYMENTS DEFICITS ALL DEVELOPED COUNTRIES AND DEVELOPING COUNTRIES IN A POSITION TO DO SO AND INTERNATIONAL ORGANIZATIONS SUCH AS IBRD AND IMF SHOULD UNDERTAKE SPECIFIC MEASURES IN THEIR FAVOUR INCLUDING MEASURES IN GENERAL ASSEMBLY RESOLUTIONS 3201 (S-VI) AND 3202 (S-VI).

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F) LDC PARTICIPATION IN THE DECISION MAKING PROCESS OF THE IFIS - THE PROCESS OF DECISION MAKING SHOULD BE FAIR AND RESPONSIVE TO CHANGE, AND SHOULD BE MOST ESPECIALLY RESPONSIVE TO THE EMERGENCE OF NEW ECONOMIC INFLUENCE ON THE PART OF DEVELOPING COUNTRIES. DEVELOPING COUNTRIES' PARTICIPATION IN THE DECISION-MAKING PROCESS IN THE COMPETENT ORGANS OF INTERNATIONAL FINANCE INSTITUTIONS SHOULD BE ADEQUATELY INCREASED AND MADE

MORE EFFECTIVE WITHOUT ADVERSELY AFFECTING THE BROAD GEOGRAPHICAL REPRESENTATION OF DEVELOPING COUNTRIES (AND "IN ACCORDANCE WITH THE EXISTING AND EVOLVING RULES." WITH EEC INSISTING ON FINAL PHRASE BUT STRONGLY OPPOSED BY EEC.

G) COMPENSATORY FINANCING AND DEVELOPMENT SECURITY FUND - WHILE WE BELIEVE WE CAN ACCEPT THE TEXT BELOW IT SHOULD BE NOTED THAT THE G-77 FEELS IT CANNOT CONSIDER DSF AT THIS TIME WITHOUT A DETAILED PRESENTATION OF ITS FUNDING AND OPERATION. THE COMPENSATORY FINANCING FACILITY NOW AVAILABLE THROUGH THE IMF SHOULD BE EXPANDED AND LIBERALIZED. IN THIS CONNEXION EARLY CONSIDERATION SHOULD BE GIVEN BY THE IMF TO THE VARIOUS PROPOSALS THAT HAVE BEEN MADE AT THIS SESSION, INCLUDING THE PROPOSALS TO EXPAND ITS COVERAGE OF CURRENT ACCOUNT TRANSACTIONS TO INCLUDE SERVICES; TO ENSURE THAT, WHEREVER POSSIBLE, COMPENSATION FOR EXPORT SHORTFALLS TAKES PLACE IN ANTICIPATION OF ITS OCCURRENCES; (EEC AND US OPPOSING LAST FOUR LINES AT THIS POINT).

2. IN ADDITION WOULD APPRECIATE COMMENTS ASPA ON THE FOLLOWING PARAGRAPHS DRAFTED BY USDEL WHICH REPRESENT COMPROMISE TEXT WE WOULD PROPOSE TO G-77 AND OTHER DCS AS LAST EFFORT.

A) RESERVE CURRENCIES AND GOLD - THE ROLE OF NATIONAL RESERVE CURRENCIES SHOULD BE REDUCED IN FAVOR OF THE TRULY, INTERNATIONAL CURRENCY, NAMELY, THE SDR, IN ORDER TO PROVIDE FOR GREATER INTERNATIONAL CONTROL OF LIQUIDITY AND IN ORDER TO REDUCE POTENTIAL LOSSES IN THE VALUE OF CURRENCY HOLDINGS WHICH FOLLOW FROM EXCHANGE RATE FLUCTUATIONS AND INFLATION. ARRANGEMENTS FOR GOLD SHOULD BE CONSISTENT WITH THE AGREE OBJECTIVE OF REDUCING THE ROLE OF GOLD IN THE SYSTEM
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AND CONSISTENT WITH AN EQUITABLE DISTRIBUTION OF NEW INTERNATIONAL LIQUIDITY. THE RECENT AGREEMENT TO SELL A PORTION OF THE FUND'S GOLD FOR THE BENEFIT OF DEVELOPING COUNTRIES IS A USEFUL FIRST STEP IN THIS DIRECTION. AS AN ALTERNATIVE TO G-77 POSITION THAT MEASURES BE TAKEN TO MAINTAIN THE REAL VALUE OF THE CURRENCY RESERVES OF THE DEVELOPING COUNTRIES THE CANADIANS HAVE PROPOSED THE FOLLOWING ALTERNATIVES:

- IN THE MEANTIME, EFFORTS SHOULD BE MADE TO ASSIST DEVELOPING COUNTRIES IN MAINTAINING THE REAL VALUE OF THEIR CURRENCY RESERVES. OR,
- IN THE MEANTIME, THE IMF SHOULD CONSIDER WHAT MEASURES ARE NECESSARY TO MAINTAIN THE REAL VALUE OF THE CURRENCY RESERVES OF THE DEVELOPING COUNTRIES.

B) BUFFER STOCKS - DRAWING UNDER THE BUFFER STOCK

FINANCING FACILITY OF THE IMF SHOULD BE ACCORDED TREAT-
MENT WITH RESPECT TO FLOATING, ALONGSIDE THE GOLD TRANCHE,
SIMILAR TO THAT UNDER THE COMPENSATORY FINANCING FACILI-
TIES AND THE IMF SHOULD EXPEDITE ITS STUDY OF THE
ARTICLES OF AGREEMENT TO BE PRESENTED TO THE INTERIM
COMMITTEE IF POSSIBLE AT ITS NEXT SESSION THAT WOULD PERMIT
THE FUND TO PROVIDE ASSISTANCE DIRECTLY TO INTERNATIONAL
BUFFER STOCKS OF PRIMARY PRODUCTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL RESOURCES, LESS DEVELOPED COUNTRIES, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 12 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975USUNN04207
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750316-0863
From: USUN NEW YORK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750954/aaaabvyd.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2003 by MaustMC>; APPROVED <30 JAN 2004 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UNGA 7TH SPECIAL SESSION - TRANSFER OF RESOURCES
TAGS: EGEN, UNGA, GROUP OF 77
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006